

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 459 – HB 506**

March 4, 2019

**SUMMARY OF BILL:** Adds minor league soccer franchises participating in the United Soccer League to the list of professional sports franchises for which a sports authority may be apportioned state sales and use tax revenue equal to the amount of state sales and use tax revenue derived from the sale of admissions to games of the United Soccer League (USL) franchises, as well as the sale of food and drinks sold on the premises of the respective sports facility.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$291,600/FY19-20  
\$174,900/FY20-21 and Subsequent Years**

**Decrease Local Revenue - \$10,900/FY19-20  
\$6,600/FY20-21 and Subsequent Years**

**Assumptions:**

- This legislation takes effect July 1, 2019.
- There are currently four USL teams in operation in Tennessee: Chattanooga Red Wolves FC, the Tri-Cities FC (Johnson City), Memphis 901 FC, and Nashville SC.
- Passage of this legislation will result in a decrease in state and local government revenue.
- Based on information provided by the Department of Revenue (DOR), it is estimated that the total taxable revenue earned by such soccer teams from ticket and concession sales exceeds \$5,500,000.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Revenue from the applicable taxable sales is estimated to be \$385,000 ( $\$5,500,000 \times 7.0$  percent) per year.
- One percent (1.0%) of the state sales tax rate is earmarked for education purposes and a half-percent (0.5%) is earmarked for the General Fund. These allocations are not affected by this legislation. Therefore, approximately \$82,500 [ $(\$385,000 / 7.0\%) \times (1.0\% + 0.5\%)$ ] will remain with the state for these purposes.
- A decrease in state revenue estimated to be \$302,500 ( $\$385,000 - \$82,500$ ).

- Pursuant to the state-shared allocation, the decrease in local revenue is estimated to be \$10,941 ( $\$302,500 \times 3.617$ ).
- The decrease in state revenue in FY19-20 is estimated to be \$291,559 ( $\$302,500 - \$10,941$ ).
- Nashville SC is prepared to exit the USL after the current 2019 season and begin play in Major League Soccer (MLS). It is assumed that Nashville SC will be required to begin submitting sales tax on the applicable taxable sales once exiting the USL, and subsequently entering MLS, and such submittal of sales tax will begin in FY20-21.
- It is assumed that the remaining three teams will continue play in the USL into perpetuity; and that no other USL teams will locate in Tennessee.
- It is unknown what percentage of the decrease in state and local revenue is attributable to Nashville SC.
- It is assumed that Nashville SC is responsible for approximately 40 percent of the taxable revenue generated from ticket sales and concession sales across all USL teams statewide.
- In FY20-21 and subsequent years, the recurring decrease in state revenue is estimated to be \$174,935 [ $\$291,559 \times (100\% - 40\%)$ ]; and the recurring decrease in local revenue is estimated to be \$6,564 [ $\$10,941 \times (100\% - 40\%)$ ].

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb